

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Tony Hammond

Competitive Product Prices
Priority Mail Contract 146 (MC2016-3)
Negotiated Service Agreement

Docket No. CP2016-3

ORDER APPROVING AMENDMENT TO A
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued July 15, 2016)

I. INTRODUCTION

The Postal Service seeks to amend the terms of Priority Mail Contract 146.¹ The Commission approves Amendment 2.

II. BACKGROUND

In Order No. 2763, the Commission approved Priority Mail Contract 146 negotiated service agreement (Existing Agreement).² On February 12, 2016, the Postal

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 146, with Portions Filed Under Seal, July 14, 2016 (Notice). The amendment is an attachment to the Notice (Amendment 2).

² See Docket Nos. MC2016-3 and CP2016-3, Order Adding Priority Mail Contract 146 to the Competitive Product List, October 16, 2015 (Order No. 2763).

Service filed notice that it had agreed to an amendment to the Existing Agreement, which replaced the sections governing contract prices and price adjustments.³ On February 24, 2016, the Commission approved Amendment 1 and found that the Existing Agreement, as amended, continued to comply with 39 U.S.C. 3633(a) and 39 C.F.R. § 3015.7.⁴

On July 14, 2016, the Postal Service filed notice that it has agreed to Amendment 2 to the Existing Agreement. See Notice. Amendment 2 replaces section I.B. in its entirety, which relates to the type of mailpieces that qualify as Contract Packages, now collectively known as “Total PM Packages,” and count toward the volume commitment. Notice, Attachment A at 1. Amendment 2 also replaces section I.G. in its entirety in order to make corresponding changes related to the use of “Total PM Packages.” *Id.* at 1-3.

In all other respects, the Existing Agreement remains unchanged. See *generally*, Notice, Attachment A. The Notice states that the amendment will not materially affect the Existing Agreement’s cost coverage. Notice at 1. The Postal Service intends for Amendment 2 to become effective one business day after the date the Commission completes its review of the filing. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service’s institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as

³ See Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 146, February 12, 2016 (Amendment 1).

⁴ See Order No. 3099, Order Approving Amendment to Priority Mail Negotiated Service Agreement, February 24, 2016.

the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

Amendment 2 does not affect the cost coverage or compliance with existing regulatory requirements for the Existing Agreement. The Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that Amendment 2 shall become effective one business day after the date that the Commission completes its review. Notice at 1. Amendment 2 does not alter the Existing Agreement's expiration date.

It is ordered:

The Commission approves the Priority Mail Contract 146 negotiated service agreement, as amended.

By the Commission.

Ruth Ann Abrams
Acting Secretary